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Caribbean Basin

HRI Food Service Sector

Bermuda

2004

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Report Highlights:

Bermuda has a vibrant hospitality industry that is reinventing itself to mitigate the current slowdown in the number of tourist arrivals. Visitors spent over \$75 million in food and beverage products in 2003. In addition, Bermuda's population, one of the wealthiest in the world, enjoys eating out year round. The United States is the island's leading trading partner, accounting for 76 percent of all food imports. The purpose of this report is to help U.S. exporters assess the existing and challenging opportunities in Bermuda's HRI food service sector.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Miami [C11]
[C1]

Section I. Market Summary

Country Snapshot

Bermuda is an overseas territory of the United Kingdom with internal self-government. It is located about 600 miles off the coast of Cape Hatteras, North Carolina. With approximately 21 square miles in size and a population of 65,000 (2003 est.), Bermuda has one of the highest population densities in the world. The island is divided into nine parishes: Devonshire, Hamilton, Paget, Pembroke, Saint George's, Sandys, Smiths, Southampton, and Warwick. Pembroke, which includes the nation's capital, Hamilton City, has the most inhabitants of any parish (nearly 11,500) and Paget the least (under 5,000). The rest of the population is evenly distributed throughout the other parishes.

With a per capita GDP of \$35,200 (2002 est.), Bermuda has one of the wealthiest populations in the western hemisphere. Unemployment is virtually nonexistent, making minimum wages and cost of living high. Bermuda's economy is based primarily on international business and tourism. One reason for the high GDP is that Bermuda has successfully exploited the international financial services sector. International business constitutes over 60 percent of Bermuda's economic output. Both offshore banking and insurance companies are offered attractive business incentives. The world headquarters of many high profile companies are located on the island.

The tourism industry traditionally contributed the most to the local economy, although international business has grown extensively and has become the number one activity on the island. Tourism is still very important to the island's economy due to the fact that it employs the largest number of Bermudans. The industry accounts for an estimated 28 percent of GDP and attracts 77 percent of its business from the United States. Bermuda has luxury tourist facilities that accommodate almost half a million visitors annually.

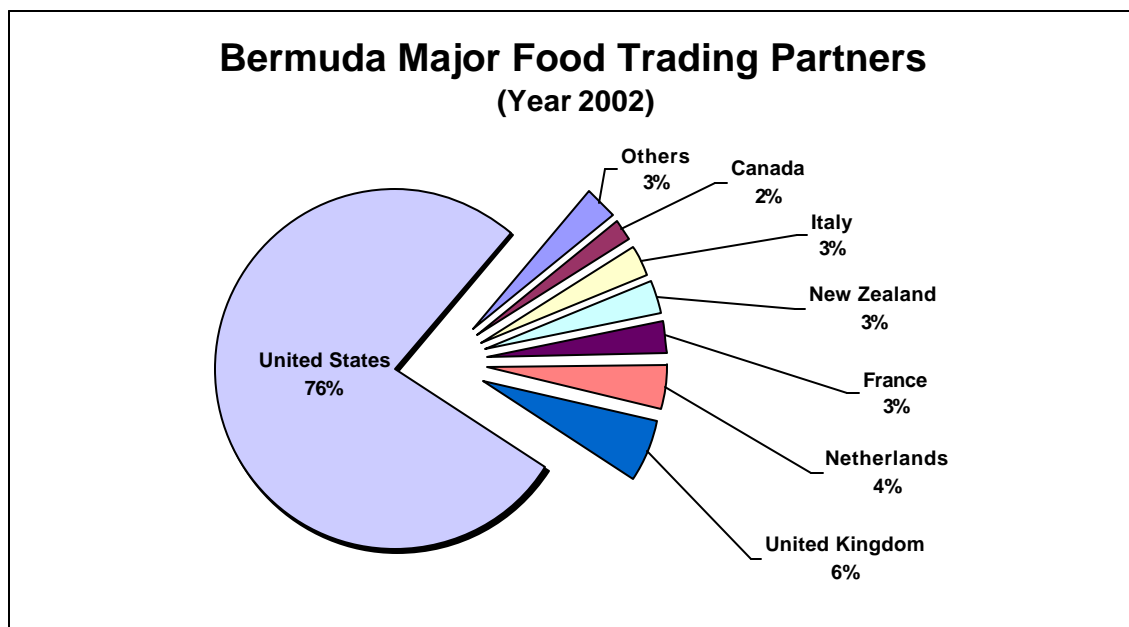
Agriculture is almost nonexistent given that only six percent of the island's land is arable and the high population density. Local agricultural production is limited to bananas, grapefruit, citrus, other fruit and vegetables, flowers, honey, eggs and dairy products. Fishermen harvest lobster (available only from September-March due to fishing restrictions), Bermuda's rockfish, red snapper, shark and mussels. There are also some commercial flower growers who supply a variety of long stemmed cut flowers for the local market. When certain locally grown food products are in season, temporary embargoes are placed by the Government Marketing Center on the importation of competing products to protect local farmers. Embargoes can be imposed and lifted several times throughout the year. In 2002, Bermuda enacted 153 embargoes on 81 items including: broccoli, cabbage, cucumbers, cauliflower, lettuce, tomatoes, potatoes, eggplant, and spinach.

In mid 2003, Bermuda formally joined the Caribbean Community (CARICOM), as an Associate (non-voting) Member. Although this is supposed to encourage and facilitate trade between Bermuda and Caribbean nations, no air or sea cargo services exist between them. All imports to Bermuda from the Caribbean must transit the United States or Canada.

Market Summary

The United States maintains a dominant presence in the market as Bermuda's primary trading partner. The major drivers pushing the success of U.S. goods are the availability, abundance and quality of the products imported. Other major trading partners include the United Kingdom, Canada, Italy, France, the Netherlands, and New Zealand. In 2002, 76 percent of Bermuda's food and beverage imports were from the United States totaling \$56 million. Imports are shipped either out of Newark, New Jersey or Jacksonville, Florida. U.S.

food imports destined to the HRI sector are estimated to be between 35-45 percent of total imports. The remaining 55-65 percent is channeled through the retail food sector.



Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Import duties are a major source of revenue for the Government of Bermuda. Tariffs on food products can reach up to 33.5 percent. The following list contains some agricultural items and their respective duty rates:

- **Beef, poultry and pork:** 5 percent
- **Fish:** 5 percent
- **All other seafood products:** 10 percent
- **Dairy:** 5 percent
- **Ornamental plants:** 33.5 percent
- **Fruits and vegetables:** 5 percent
- **Sugars and sugar confectionary:** 22.25 percent
- **Prepared foodstuff:** between 5 and 22.25 percent
- **Dog or cat food:** 22.25 percent
- **Fruit juices:** 10 percent
- **Coffee, tea and spices:** 5 percent
- **Wine:** \$2.63 per bottle
- **Spirits:** \$24.15 per litter
- **Mineral waters:** between 15 and 35 percent

Tourism and HRI

Bermuda caters to high-end tourists and business visitors. The island is a high quality and high price destination. The typical tourist is 35 years old or more, with a college degree and employed in a white-collar position earning an annual income which averages \$75,000.

Approximately 50-60 percent are repeated visitors that stay an average of six nights, mostly between the peak season, which starts in April and extends up to October. It is estimated that all air travelers spend an average by activity of \$240 in meals and beverages (excluding hotel meal plans). Cruise passengers spend an average of \$25 per person by activity.

In 2003, Bermuda received close to 257,000 air visitors, a decline of 10 percent from the previous year. Currently, four major U.S. airlines (Continental, American, Delta, and U.S. Airways) service Bermuda. Air Canada and British Airways are the only other two airlines. Only two hours from New York and with daily flights between major North American centers including Boston, Atlanta, and several flights a week to London, getting to Bermuda is easy. Other major U.S. ports include Newark, Philadelphia, Baltimore, Chicago, Charlotte, and Miami.

Cruise ships dock at three separate points on the island: Royal Naval Dockyard (west), Hamilton City (center), and St George's (east). The island's total number of cruise ship visits totaled 154, 149, and 165 in 2001, 2002, and 2003 respectively. The number of cruise passengers is on the rise and now comprise more than 40 percent of all visitors. In 2003, the island received more than 226,000 sea tourists (excluding yachtsmen), which is the highest number recorded in the past quarter of a century. One concern, however, is that cruise passengers do not contribute as much to the HRI food service sector as their air counterparts.

Bermuda Tourist Arrivals (1999-2003)			
Year	Air	Cruise	TOTAL
1999	354,085	194,583	548,668
2000	331,984	207,881	539,865
2001	278,103	179,960	458,063
2002	283,969	200,065	484,034
2003	256,563	226,097	482,660

Source: Bermuda Department of Tourism

The United States has more visitors to Bermuda than all other countries combined. In 2002, U.S. tourists accounted for 77 percent of all air travelers and 94 percent of those entering by cruise. British and Canadian tourists, who are now on par, represent the island's secondary markets. They constitute 9 percent of all air arrivals and 2 percent of all cruise passengers. Visitors from Europe and the rest of the world do not make significant contributions to Bermuda's tourism industry.

The local government understands the significance of tourism in Bermuda's economy. To counteract the continuous declining numbers of air tourists, the hospitality industry is being revamped and new hotel developments are being discussed. Three major new hotels are planned to open in the next few years including a 5-star luxury Tucker's Point Club. In addition, new flights are being assessed to further help elevate the tourist count. It is expected that the continuous growth in international business will have a positive impact on tourism.

Accommodation Capacity on Bermuda, 2002					
Type of Accommodation	Number	Rooms		Beds	
		#	%	#	%
Resorts	5	1,860	57.2	4,817	54.7
Small Hotels	11	501	15.4	1,412	16.0
Guest House	12	109	3.4	283	3.2
Cottage Colonies	8	412	12.7	1,068	12.1
Private Clubs	2	86	2.6	234	2.7
Housekeeping Cottages	25	283	8.7	995	11.3
TOTAL	63	3,251	100.0	8,809	100.0

Source: Bermuda Department of Tourism

Bermuda has 63 major accommodations including resorts, small hotels, guesthouses, cottage colonies, private clubs, and housekeeping cottages. They are all consistently ranked among

the world's best, despite the absence of brand name chains. Nearly 3,300 rooms and 8,800 beds are available to the international traveler. The previous table outlines the number and percentage of units and beds per type of accommodation. The table excludes a great number of small houses that are also used by visitors.

With over 150 restaurants, Bermuda is one of the countries with more restaurants per square mile in the world. Visitors are exposed to everything from chic international cuisine at fine dining rooms to conch stew at roadside cafes. American, Japanese, Italian, Indian, Chinese, English, French, and Mexican cuisines are found throughout the island. About half of all restaurants are independently owned – outside of lodging premises.

Advantages	Challenges
The United States is the leading supplier of food and beverage products into Bermuda, accounting for 76 percent of all imports.	The world's economic recession has negatively impacted the island's tourism industry.
Distribution systems, in addition to tariff and duty regulations, compliment those in the U.S., making exporting relatively easy.	Tariffs on selected items can reach up to 33.5 percent as a result of the government protecting local businesses.
The United States has more visitors to Bermuda than all other countries combined and they prefer American food products.	The island is vulnerable to extreme weather conditions like hurricanes and tropical depressions, which greatly affect the tourism industry.
There is no food labeling legislation or food additive regulation in Bermuda.	Bermuda prohibits the importation of citrus fruit from Florida because of citrus canker.
Only six percent of Bermuda's land is arable, limiting local agricultural production and allowing for imports of all commodities.	Bermuda, being a high-priced destination, is at a competitive disadvantage in relation to Caribbean destinations, which offer less expensive vacation packages.
The United States is the island's closest trading partner, which allows for lower shipping times compared to other competitors.	Selling directly to the hotels and restaurants is difficult because of a well-established distribution network.

Section II. Road Map for Market Entry

A. Entry Strategy

Before deciding to enter the profitable yet demanding HRI sector, it is highly recommended that U.S. exporters conduct market research and develop a thorough market entry plan. A trip to the island is necessary to get a feel of the market and to work at establishing relationships with key players in the sector.

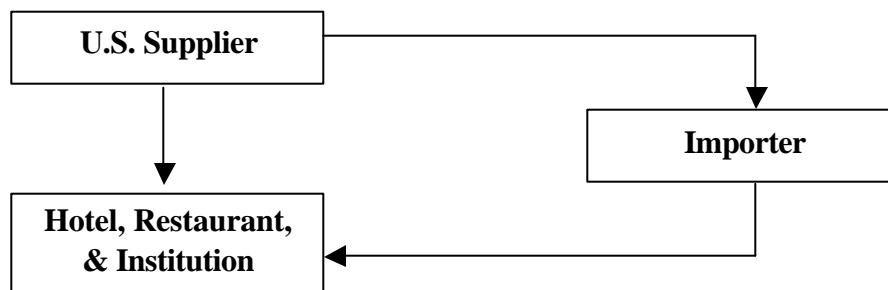
Due to a well-established local distribution network, the best way for a U.S. supplier to introduce new products into Bermuda's HRI sector is through local importers. Some importers have a separate division within the company that responds directly to the HRI's specific needs. U.S. exporters should first send product literature and samples to both the hotel/restaurant and the importer. Once interested, the hotel/restaurant will likely ask the supplier to work thru their food importer or distributor. Importers will want to meet the U.S. supplier on the island to close the negotiation.

In addition, a U.S. supplier could also enter the market by contacting the large hotels and accommodation facilities or the several groups of restaurants that operate on the island. They have the financial resources to import directly from the United States. As with the

importers; they will require product literature and product samples. After reviewing the product offering, they will more than likely meet the U.S. supplier to close the business.

B. Market Structure

Product Flow for Imported Products:



In Bermuda, the majority of food and beverage products sold to hotels, restaurants and institutions are supplied by a handful of importers, which usually distribute their products to all their customers throughout the island. Resorts, in addition to other large accommodations with sufficient buying power, usually import food products directly from the United States. Restaurants sporadically import food products, including specialty items and alcoholic beverages. Institutions rarely, if ever, import directly.

The HRI sector in Bermuda also buys from local producers and manufacturers. Hotels are only allowed to import fruits and vegetables when local production does not meet their demand or when it does not meet the hotel's quality standards.

C. Sub-Sector Profiles

1. Hotels and Resorts

Name & Type	Location and Parish	Rooms	Purchasing Agent
Fairmount Southampton Resort	South Shore, Southampton Parish	596	Local & Direct Importer
Fairmount Hamilton Princess Resort	Hamilton, Pembroke Parish	413	Local & Direct Importer
Sonesta Beach Resort	South Shore, Southampton Parish	400	Local & Direct Importer
Elbow Beach Resort	South Shore, Paget Parish	224	Local & Direct Importer
Grotto Bay Hotel	Blue Hole Hill, Hamilton Parish	201	Local & Direct Importer
Cambridge Beaches Cottage Colony	King's Point Road, Sandys Parish	97	Local Importer
Daniel's Head Village Cottage Colony	Daniel's Head Road, Sandys Parish	96	Local Importer
Pink Beach Club & Cottages Cottage Colony	South Road, Smith's Parish	94	Local Importer
The Reefs Hotel	South Road, Southampton Parish	73	Local Importer
The St. George's Club Cottage Colony	Rose Hill, St. George's Parish	71	Local Importer

Harmony Club Hotel	South Road, Paget Parish	68	Local Importer
Stonington Beach Hotel	South Shore, Paget Parish	66	Local Importer
Willowbank Cottage Colony	Ely's Harbour, Sandys Parish	65	Local Importer
Coral Beach & Tennis Club	South Road, Paget Parish	62	Local Importer
Pompano Beach Club Hotel	Pompano Beach Rd., Southampton Parish	56	Local Importer

Bermuda has a wide range of top-quality accommodations that are second to none. The list above includes the nation's biggest in terms of number of rooms and facilities. Accommodations consist of, but are not limited to, resorts, small hotels, guesthouses, cottage colonies, private clubs, and housekeeping cottages. The Harmony Club is the island's only all-inclusive resort. Other lodgings offer a choice of meal plans. The Modified American Plan (MAP), which offers breakfast and dinner, and the Bermuda Plan (BP), which includes a full breakfast but no dinner, are the most popular among them. The Fairmount Hamilton Princess, the Sonesta Beach Resort, and the St. George's Club Cottage Colony do not offer meal plan options.

The overwhelming majority of lodging facilities have at least one restaurant. Resort hotels like Elbow Beach, the two Princesses, and Sonesta Beach each have three or more restaurants. The Fairmount Southampton Princess alone has six dining facilities and four bars. Some hotels like Sonesta Beach also offer catering services to both in-house and location customers.

2. Restaurants

Name	Location or Parish	Type of Cuisine	Purchasing Agent
Spot	City of Hamilton	Local Fast Food/Diner	Local Importer
Lobster Pot	City of Hamilton	Seafood	Local Importer
La Coquille	City of Hamilton	French	Local Importer
Bistro J	City of Hamilton	International	Local Importer
The Harbourfront	City of Hamilton	International	Local Importer
Henry VIII	Southampton	British & Local	Local Importer
Little Venice	City of Hamilton	Italian Gourmet	Local Importer
Rosa's Cantina	City of Hamilton	Tex-Mex	Local Importer
Monte Carlo	City of Hamilton	Mediterranean/Italian	Local Importer
Barracuda Grill	City of Hamilton	International/Seafood	Local Importer
House of India	City of Hamilton	Indian	Local Importer
Chopsticks	City of Hamilton	Chinese/Thai	Local Importer
Ascots	Pembroke	Continental/International	Local Importer
Kentucky Fried Chicken	City of Hamilton	American Fast Food	Local Importer
Frescos	City of Hamilton	Local/Mediterranean	Local Importer

Bermuda has over 150 restaurants (including those located inside hotel premises) that offer a huge array of international cuisines including: American, Japanese, Italian, Indian, Chinese, English, French, and Mexican cuisines. The previous table includes some of the island's most renowned independently owned restaurants. Most of them are located in Hamilton City. The gastronomic variety reflects the cultural influences of the early settlers and the diverse tourism.

Bermuda has several groups of restaurants that are affiliated with one another. These groups often buy food and beverage products by joining their purchasing power to benefit from economies of scale. Hog Penny, the Pickled Onion, and Barracuda Grill compose the Bermuda Triangle Group. Little Venice Group of Restaurants includes eight restaurants: Little Venice, L'Oriental, the Harbourfront, La Trattoria, La Coquille, Forways Inn, Lido, and Mickey's. Little Venice Group of Restaurants also offers catering services.

Bermuda offers a diverse menu of dining establishments ranging from gourmet, four-star dining rooms like Henry VIII; to simple, informal restaurants like Spot. Bermuda's most family oriented restaurant is probably La Trattoria. U.S. meat is identified in the menu as U.S. inspected. Only one outlet of Kentucky Fried Chicken is allowed to operate as a restaurant franchise chain, but there are many other fast-food restaurants that are Bermudian-owned or majority Bermudian-owned.

All restaurants appeal both to visitors and local residents. The first group saturates the dining facilities during the island's tourist season (April-October). Bermudans enjoy eating out all year round. Some of the reasons include: high disposable income, fast-paced lifestyle, and cultural heritage.

3. Institutional

Bermuda institutions do not play an important role in the importation of food products from the United States. The island has one main hospital and three prisons. Hospitals buy produce and dairy from local producers and everything else from local importers/distributors. Schools do not have a free lunch program.

Section III. Competition

With 76 percent market share, the United States clearly dominates Bermuda's HRI market for food and beverage products.

The following products and countries compete with U.S. products:

- **Beef:** New Zealand, Canada, United Kingdom, Netherlands, and Germany.
- **Poultry:** United Kingdom and Canada.
- **Pork:** Canada, Germany, United Kingdom, Italy, France, Ukraine, and Ireland.
- **Fresh Produce:** United Kingdom, Italy, and Canada.
- **Seafood:** United Kingdom, Canada, Netherlands, China, Denmark, France, Ireland, and Thailand.
- **Dry Goods:** Canada, Germany, United Kingdom, Netherlands, Switzerland, Belgium, and Italy.
- **Dairy Products:** New Zealand, Brazil, Canada, Switzerland, France, United Kingdom, Jamaica, Panama, Denmark, and Italy.
- **Alcoholic Beverages:** Australia, United Kingdom, Netherlands, Chile, Germany, Spain, France, Italy, Barbados, Bahrain, South Africa, Trinidad & Tobago, Sweden, and Mauritania.

- **Non-Alcoholic Beverages:** Canada, United Kingdom, France, Belgium, Italy, Denmark, and Germany.
- **Specialty Foods:** Canada, Switzerland, France, United Kingdom, Ireland, Brazil, Jamaica, Kenya, and Italy.
- **Bakery Ingredients:** Canada, United Kingdom, and Jamaica.

Top 10 U.S. Food Products in Bermuda Import Market for 2002			
U.S. High Value Food Product	Market Share	U.S. High Value Food Product	Market Share
Fresh Fruit	99%	Breakfast Cereals & Pancake Mixes	97%
Pet Foods	98%	Red Meats (Prepared/Preserved)	97%
Fruit & Vegetable Juices	98%	Red Meats (Fresh/Chilled/Frozen)	93%
Eggs & Products	98%	Mixed Container Loads	92%
Fresh Vegetables	97%	Fishery Products	91%

Source: UN Trade Data

Section IV. Best Prospects

A. Products Present in the Market Which Have Good Sales Potential

Bermuda is a very high-end market in search of quality products. Market opportunities exist for a wide array of HRI products, including:

- High-end specialty items and gourmet products
- Meat products
- Premium jams, jellies and honey

B. Products Not Present in Significant Quantities but Which Have Good Sales Potential

Bermuda has a well-stocked HRI market for food and beverage products. The following products are present in the local market but good opportunities still exist for further penetration in the market. They include:

- Organic and "healthy" foods
- Ethnic foods

C. Products Not Present Because They Face Significant Barriers

Products that are not allowed into Bermuda include:

- Citrus fruit from Florida
- Carrots
- Potatoes and sweet potatoes
- Corn

Others that are heavily restricted by high tariffs include:

- Spirits

Section V. Contact Information

A. For more information on Bermuda and a list of importers for your U.S. product, please contact:

**Caribbean Basin Agricultural Trade Office
Foreign Agricultural Service
United States Department of Agriculture**

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Please visit our website for more reports and information on Bermuda and other Caribbean Islands: <http://www.cbato.fas.usda.gov>, click on "U.S. Exporters"

B. Other Sources of Information on Bermuda:

Department of Environmental Protection

Claire Jessey, Plant Protection Officer
P.O. Box HM-834
Hamilton HM-CX Bermuda
Tel: 441-236-4201
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Department of Health

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